

[Auditor's Description of Condition](#)
[DSHS Response](#)
[Laws & Regulations](#)

The Department of Social and Health Services' Medical Assistance Administration and Division of Child Support have inadequate internal controls to ensure compliance with Medicaid requirements to identify third parties, usually insurance companies, responsible for payments for medical services.

Background

The federal government requires that states identify third party insurers responsible for paying for medical services for potential Medicaid clients. Federal regulations also require the enforcement of any child support order that states the noncustodial parent must provide health insurance for a child. The regulations state that, when a child receives benefits through the Medicaid program, the child support enforcement office, which in this state is the Division of Child Support Enforcement, must pass the insurance information to the state Medicaid office, in this case the Medical Assistance Administration. This procedure ensures the Medicaid office is aware there may be another source of insurance.

Description of Condition

When the Division began enforcing medical support in 1990, it used specific carrier codes to inform the Administration that insurance coverage was available to a child. The carrier code identified the insurance company by name, address and telephone number. Division staff members were expected to enter the proper carrier code into the Support Enforcement Management System, which could then be accessed by the Administration for use in contacting the carrier to determine the coverage available to the child.

If the Division could not determine a proper carrier code, it entered a case comment indicating all known insurance carrier information. It then used "000" or "0000" as the carrier code; these codes instructed the Administration to read the case comments in an effort to determine what insurance was available.

At the time of our fieldwork in the autumn of 2003, we found 2840 children who were Medicaid beneficiaries and whose carrier codes were "000" or "0000". We reviewed insurance information for 139 of these children and found 104, or approximately 75 percent of those reviewed, may have had insurance coverage available to them through a third party.

Cause of Condition

The information in the case comments was often incomplete for clients having carrier codes of “000” and “0000”; therefore, in 1997, the Administration stopped trying to identify potential insurance carriers of clients with these codes. Eventually the Administration came to believe that these codes indicated no third party liability when, in fact, clients may have been covered by a private insurer.

After we began our audit of this area, the Department made an effort to correct the situation by creating a new code to replace the two previous codes. The new code, however, is used only for new cases, which the Administration has agreed to investigate for other insurance. There are no plans to review previous cases already in the system.

Effect of Condition

Current clients in the system under the old coding may be receiving both Medicaid and private insurance. In addition, medical and dental costs have been erroneously paid by the Medicaid program since 1997 for clients with other existing insurance. As a result of our review, we are questioning \$93,333 in costs paid by Medicaid for 104 clients. These costs should have been paid by private insurers. Approximately half of this amount, or \$46,667, was paid with federal funds; state funds were used for the other half.

Recommendations

We recommend the Department:

- Determine the correct insurance status of all clients with carrier codes of “000” and “0000”.
- Collect from third parties any amounts erroneously paid by the Medicaid program.

Department’s response

The department concurs with this finding.

- The Medical Assistance Coordination of Benefits (COB) Section reviewed all cases of carrier code “000” or “0000” as supplied by the Division of Child Support (DCS). These cases were of the following types: Medicaid, Temporary Assistance for Needy Families (TANF), Foster Care and those indicating they were not eligible for Medical Assistance. The Medicaid Management Information System (MMIS) and the DCS Support Enforcement Management System (SEMS) were updated with consistent information. Any liable third parties, who were not previously billed, were billed through the normal MMIS billing process. To prevent future discrepancies, carrier code 0000 has been eliminated. These 0000 claims will now be posted with a ZZ00. The purpose of

this new code is to raise the visibility of the code above that of a miscellaneous category and to alert the COB staff of possible third-party coverage. Both organizations will review the efficiency of this coding system after one year.

- In addition, the DCS and the COB Section have been participating in a study to increase the identification of liable third parties for health insurance for the past two years. The study is evaluating whether it is more effective to establish a centralized unit within the Division of Child Support or to contract with one or two vendors to increase and correctly identify health insurance liability.

Auditor's Concluding Remarks

To be supplied

Applicable Laws and Regulations

Title 42 Code of Federal Regulations Section 433.137 states:

State plan requirements:

(a) A State plan must provide that the requirements of ...Sec. 433.138 and 433.139 are met for identifying third parties liable for payment of services under the plan and for payment of claims involving third parties.

(b) A State plan must provide that—

(1) The requirements of...433.145 through 433.148 are met for assignment of rights to benefits, cooperation with the agency in obtaining medical support or payments, and cooperation in identifying and providing information to assist the State in pursuing any liable third parties; and

(2) The requirements of ...433.151 through 433.154 are met for cooperative agreements and incentive payments for third party collections.

(c) The requirements of paragraph (b)(1) of this section relating to assignment of rights to benefits and cooperation in obtaining medical support or payments and paragraph (b)(2) of this section are effective for medical assistance furnished on or after October 1, 1984. The requirements of paragraph (b)(1) of this section relating to cooperation in identifying and providing information to assist the State in pursuing liable third parties are effective for medical assistance furnished on or after July 1, 1986.

Section 433.138 states:

Identifying liable third parties.

(a) Basic provisions. The agency must take reasonable measures to determine the legal liability of the third parties who are liable to pay for services furnished under the plan. At a minimum, such measures must include the requirements specified in paragraphs (b) through (k) of this section, unless waived under paragraph (l) of this section.

The Office of Management and Budget's *A-133 Compliance Supplement* for Child Support Enforcement (CFDA 93.563), Section N.3 states:

The State IV-D agency must attempt to secure medical support information, and establish and enforce medical support obligations for all individuals eligible for services under 45 CFR section 302.33. Specifically, the State IV-D agency must determine whether the custodial parent and child have satisfactory health insurance other than Medicaid....

The agency shall inform the Medicaid agency when a new or modified order for child support includes medical support....